Federal Energy Regulatory Commission
June 16, 2006
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher

C-3: Revisions to the Blanket Certificate Regulations and Clarification Regarding Rates (RM06-7-000)

"Today, the Commission issues a proposed rule to expand the blanket certificate program, raising the dollar limits for self-implementing and prior notice projects and extending blanket authority to include previously excluded facilities, namely mainlines, storage facilities, and pipelines receiving gas from liquefied natural gas (LNG) import facilities. This proposed rule follows a petition for rulemaking filed by INGAA and NGSA last February.

The Commission has an outstanding record in the area of encouraging the development of a strong gas pipeline network. Our policies have encouraged adequate investment in pipeline expansion, and we have been very efficient in our processing of pipeline applications. That much is acknowledged by the industry. In its petition, INGAA and NGSA stated "There is little to be improved in the Commission's processing of certificate applications once those applications have been filed," and "There are few changes to the current authorization process that would accelerate the process beyond its current efficient state." Those statements are a tribute to the professionalism and dedication of the Commission staff.

However, we are always looking for improvements. In the petition for rulemaking, INGAA and NGSA sought changes in three areas. First, they asked the Commission to allow blanket authorization of certain mainline expansions, storage enhancements, and liquefied natural gas takeaway facilities. Second, they sought adjustments in the dollar limits for blanket facilities, raising limits to reflect current project development costs. Third, they requested favorable rate treatment for anchor shippers or foundation shippers. We propose changes in all three areas.

The Commission makes these changes because it agreed with the petitioners that gas project costs have increased faster than inflation, and that the Commission's regulatory oversight have undergone fundamental change since the blanket program was introduced in 1982, and certain restrictions were no longer needed, and actually impede development of the gas pipeline infrastructure.

Certain safeguards and restrictions that the Commission imposed in 1982 are no longer necessary, given the changes that have occurred in the gas industry since that time. Foremost among them is the dramatically different role of natural gas pipelines as unbundled transporters.

The Commission relies on a different inflation tracker that more accurately tracks gas pipeline construction costs than the general inflation tracker used by the Commission. Use of this new tracker raises the no notice limit from $8.3 to $9.6 million, and the prior notice limit from $22.7 to $27.4 million. This adjustment should capture the cumulative lag over the past 25 years from using the old inflation tracker. This more accurate inflation tracker will continue to be applied prospectively.

The proposed rule also makes changes designed to benefit landowners and the public. The landowner notification period would be increased, a proposed project would have to be described in greater detail, and certain environmental conditions and noise compliance and monitoring requirements would be clarified.

The proposed rule also authorizes a more favorable rate for "foundation shippers", shippers that commit to a project early and make it possible for a pipeline to secure financing for a proposed project. Both of these changes should result in significant investments in the pipeline infrastructure, and accelerate certain investments.

It is not often that we see this level of consensus emerge from the gas industry. I want to commend INGAA and NGSA for rolling up their sleeves and crafting the petition for rulemaking. You advanced sound arguments for your proposal. The fact that you are unusual allies made it easier for the Commission to act today.

One of the clear policy goals of the Energy Policy Act of 2005 was strengthening our energy infrastructure. Today's action is completely consistent with the policy direction laid down by the President and the Congress.

I support the orders."